

Township of Schoolcraft
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Schoolcraft, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Schoolcraft, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Schoolcraft, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Schoolcraft, Michigan, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Schoolcraft, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

September 22, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Schoolcraft
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 932,796
Receivables, net	121,367
Prepaid expenses	<u>30,322</u>
Total current assets	<u>1,084,485</u>
Noncurrent assets:	
Receivables, net	85,589
Capital assets not being depreciated	121,903
Capital assets, net of accumulated depreciation	<u>442,043</u>
Total noncurrent assets	<u>649,535</u>
Total assets	<u>1,734,020</u>
LIABILITIES	
Current liabilities:	
Payables	20,870
Contract payable	<u>44,916</u>
Total current liabilities	65,786
Noncurrent liabilities - contract payable	<u>149,539</u>
Total liabilities	<u>215,325</u>
NET ASSETS	
Invested in capital assets	563,946
Restricted for debt service	192,693
Restricted, nonexpendable	147,573
Unrestricted	<u>614,483</u>
Total net assets	<u>\$ 1,518,695</u>

See notes to financial statements

Township of Schoolcraft
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program revenues			Net (expenses) revenues and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Functions/Programs	Expenses				
Governmental activities:					
Legislative	\$ 2,900	\$ -	\$ -	\$ -	\$ (2,900)
General government	439,163	153,932	-	-	(285,231)
Public safety	144,113	44,264	-	-	(99,849)
Public works	95,959	26,266	4,787	44,807	(20,099)
Health and welfare	7,111	-	-	-	(7,111)
Community and economic development	22,262	27,177	-	-	4,915
Culture and recreation	28,831	-	250	-	(28,581)
Interest on long-term debt	9,068	-	-	-	(9,068)
Total governmental activities	<u>\$ 749,407</u>	<u>\$ 251,639</u>	<u>\$ 5,037</u>	<u>\$ 44,807</u>	<u>(447,924)</u>
General revenues:					
Taxes					226,923
Franchise fees					18,831
State grants					275,894
Interest					48,789
Other					<u>3,792</u>
Total general revenues					574,229
Contributions to permanently restricted cemetery trust fund					<u>9,975</u>
Change in net assets					136,280
Net assets - beginning					<u>1,382,415</u>
Net assets - ending					<u>\$ 1,518,695</u>

See notes to financial statements

Township of Schoolcraft
BALANCE SHEET - governmental funds
March 31, 2008

	<u>General</u>	<u>Water and Sewer Debt</u>	<u>Cemetery Trust</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 530,616	\$ 255,630	\$ 146,550	\$ 932,796
Receivables	114,832	92,124	-	206,956
Due from other funds	-	11,481	1,023	12,504
Prepaid expenses	30,322	-	-	30,322
Total assets	<u>\$ 675,770</u>	<u>\$ 359,235</u>	<u>\$ 147,573</u>	<u>\$ 1,182,578</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 13,594	\$ -	\$ -	\$ 13,594
Due to other funds	12,504	-	-	12,504
Deferred revenue	35,189	90,143	-	125,332
Total liabilities	<u>61,287</u>	<u>90,143</u>	<u>-</u>	<u>151,430</u>
Fund balances:				
Restricted	-	-	147,573	147,573
Unreserved, undesignated	614,483	269,092	-	883,575
Total fund balances	<u>614,483</u>	<u>269,092</u>	<u>147,573</u>	<u>1,031,148</u>
Total liabilities and fund balances	<u>\$ 675,770</u>	<u>\$ 359,235</u>	<u>\$ 147,573</u>	<u>\$ 1,182,578</u>
Total fund balances				\$ 1,031,148
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				563,946
Assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.				125,332
Accrued interest payable on long-term liabilities does not require current resources and, therefore, is not recorded in the funds.				(7,276)
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(194,455)</u>
Net assets of <i>governmental activities</i>				<u>\$ 1,518,695</u>

See notes to financial statements

Township of Schoolcraft**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Water and Sewer Debt</u>	<u>Cemetery Trust</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 319,351	\$ -	\$ -	\$ 319,351
Licenses and permits	63,065	-	-	63,065
State grants	280,681	-	-	280,681
Charges for services	88,731	-	-	88,731
Interest and rentals	48,989	20,367	-	69,356
Other	16,964	77,071	9,975	104,010
Total revenues	<u>817,781</u>	<u>97,438</u>	<u>9,975</u>	<u>925,194</u>
EXPENDITURES				
Legislative	2,900	-	-	2,900
General government	421,059	-	-	421,059
Public safety	144,113	-	-	144,113
Public works	87,253	3,780	-	91,033
Health and welfare	7,111	-	-	7,111
Community and economic development	22,262	-	-	22,262
Culture and recreation	44,489	-	-	44,489
Capital outlay	66,611	-	-	66,611
Debt service:				
Principal	-	45,134	-	45,134
Interest	-	10,757	-	10,757
Total expenditures	<u>795,798</u>	<u>59,671</u>	<u>-</u>	<u>855,469</u>
NET CHANGE IN FUND BALANCES	21,983	37,767	9,975	69,725
FUND BALANCES - BEGINNING	<u>592,500</u>	<u>231,325</u>	<u>137,598</u>	<u>961,423</u>
FUND BALANCES - ENDING	<u>\$ 614,483</u>	<u>\$ 269,092</u>	<u>\$ 147,573</u>	<u>\$ 1,031,148</u>

See notes to financial statements

Township of Schoolcraft

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

	<i>Total governmental funds</i>
	<hr/>
Net change in fund balances - total governmental funds	\$ 69,725
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital assets:	
Assets acquired	82,914
Provision for depreciation	(23,675)
Special assessments:	
New assessments	44,807
Collections	(84,314)
Long-term debt:	
Principal paid	45,134
Accrued interest	<hr/> 1,689
Change in net assets of <i>governmental activities</i>	<hr/> <hr/> \$ 136,280

See notes to financial statements

Township of Schoolcraft
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2008

ASSETS

Cash	\$ <u>29,839</u>
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LIABILITIES

Due to other governmental units	\$ <u>29,839</u>
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See notes to financial statements

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Schoolcraft, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily property taxes and state shared revenue.

The Water and Sewer Debt Fund accounts for the collection of special assessments and payment of debt for sewer improvements.

The Cemetery Trust Fund is a permanent fund which accounts for assets held by the Township comprised of contributions for perpetual cemetery care. The principal of contributions to permanent funds may not be spent. Investment earnings are spent annually for cemetery maintenance.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports one fiduciary fund, its Agency fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	5 - 15 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	Water and sewer	\$ -	\$ 22,248	\$ 22,248
	Culture and recreation	Township park	21,000	33,255	12,255

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 932,796	\$ 29,839	\$ 962,635

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$962,635.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$850,422 of the Township's bank balances of \$1,449,949 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Special assess- ments</u>	<u>Interest</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
General	\$ 25,667	\$ 6,276	\$ 35,189	\$ -	\$ 47,700	\$ 114,832
Water and Sewer Debt	-	-	90,143	1,981	-	92,124
Totals	<u>\$ 25,667</u>	<u>\$ 6,276</u>	<u>\$ 125,332</u>	<u>\$ 1,981</u>	<u>\$ 47,700</u>	<u>\$ 206,956</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,589</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 121,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,903</u>
Capital assets being depreciated:				
Buildings and improvements	498,644	43,625	-	542,269
Equipment	115,202	-	-	115,202
Infrastructure - shared road costs	<u>88,689</u>	<u>39,289</u>	<u>-</u>	<u>127,978</u>
Subtotal	<u>702,535</u>	<u>82,914</u>	<u>-</u>	<u>785,449</u>
Less accumulated depreciation for:				
Buildings and improvements	(251,137)	(12,335)	-	(263,472)
Equipment	(63,736)	(6,415)	-	(70,151)
Infrastructure - shared road costs	<u>(4,858)</u>	<u>(4,925)</u>	<u>-</u>	<u>(9,783)</u>
Subtotal	<u>(319,731)</u>	<u>(23,675)</u>	<u>-</u>	<u>(343,406)</u>
Total capital assets being depreciated, net	<u>382,804</u>	<u>59,239</u>	<u>-</u>	<u>442,043</u>
Governmental activities capital assets, net	<u>\$ 504,707</u>	<u>\$ 59,239</u>	<u>\$ -</u>	<u>\$ 563,946</u>

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 8,882
Public works	4,926
Culture and recreation	<u>9,867</u>
Total depreciation	<u>\$23,675</u>

NOTE 6 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues in the governmental funds consist of unavailable special assessments.

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at March 31, 2008, is comprised of a note payable with an original balance of \$473,018, used for the Canal Zone water and sewer extensions, which is due in annual installments between \$20,134 and \$45,134 through June 2013, plus interest at 4.49%.

The summary of debt transactions of the Township for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Issued</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due in one year</u>
Note payable	<u>\$ 239,589</u>	<u>\$ -</u>	<u>\$ (45,134)</u>	<u>\$194,455</u>	<u>\$ 44,916</u>

Debt service requirements at March 31, 2008, were as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 44,916	\$ 8,731
2010	44,687	6,714
2011	44,449	4,708
2012	20,134	2,712
2013	20,134	1,808
2013-2014	<u>20,135</u>	<u>904</u>
Totals	<u>\$ 194,455</u>	<u>\$ 25,577</u>

NOTE 8 - PAYABLES:

At March 31, 2008, payables in the governmental funds are comprised of \$2,662 accounts payable and \$10,932 accrued payroll liabilities in the General Fund.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2008, interfund balances are comprised of debt service assessments deposited in the General Fund, as well as expendable interest not paid to General Fund, as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer debt	\$ 11,481	General	\$ 11,481
General	<u>1,023</u>	Cemetery trust	<u>1,023</u>
	<u>\$ 12,504</u>		<u>\$ 12,504</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - JOINT VENTURES:

a) South County Sewer and Water Authority:

The Township is a member of the South County Sewer and Water Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, and Pavilion, and the Village of Schoolcraft. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to oversee water and sewer construction and operations for projects financed through the issuance of debt by the component units and the Kalamazoo County Board of Public Works. Revenues sufficient to cover operating and debt service expenditures are raised through assessments on the benefited properties.

b) South Kalamazoo County Fire Authority:

The Township is a member of the South Kalamazoo County Fire Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, Prairie Ronde, and Wakeshma, and the Villages of Schoolcraft and Vicksburg. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2008, the Township of Schoolcraft contributed \$103,299 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Township of Schoolcraft.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 10% of the participant's base salary and participants are immediately 100% vested. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. The Township made the required contributions of \$10,640.

NOTE 13 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 40,814
Expenses	<u>40,814</u>
Excess of revenues over expenses	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Schoolcraft
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 320,100	\$ 320,100	\$ 319,351	\$ (749)
Licenses and permits	61,000	61,000	63,065	2,065
State grants	275,000	275,000	280,681	5,681
Charges for services	46,200	46,200	88,731	42,531
Interest and rentals	18,000	18,000	48,989	30,989
Other	7,100	6,343	16,964	10,621
	<u>727,400</u>	<u>726,643</u>	<u>817,781</u>	<u>91,138</u>
Total revenues				
EXPENDITURES				
Legislative	<u>3,000</u>	<u>3,000</u>	<u>2,900</u>	<u>100</u>
General government:				
Supervisor	34,500	34,500	34,500	-
Elections	10,000	14,000	11,895	2,105
Assessor	38,400	62,050	58,404	3,646
Clerk	34,500	34,500	34,500	-
Board of review	1,100	1,100	1,371	(271)
Treasurer	34,500	34,500	34,500	-
Hall and grounds	23,750	27,250	24,551	2,699
Cemetery	52,600	56,800	53,245	3,555
Other general government:				
Office salaries and wages	20,500	20,500	15,673	4,827
Payroll taxes	3,400	3,400	3,614	(214)
Pension	10,650	10,650	10,150	500
Health insurance	38,300	38,300	31,368	6,932
Office supplies	6,300	6,300	6,492	(192)
Postage and legal notices	10,000	11,000	13,298	(2,298)
Dues	4,600	7,400	5,989	1,411
Audit and accounting	7,100	8,100	8,355	(255)
Computer support	9,000	9,000	8,443	557
Engineering	10,500	13,000	15,319	(2,319)
Legal services	12,000	31,000	25,019	5,981
General insurance	17,000	17,000	18,235	(1,235)
Other	6,700	8,200	6,138	2,062
	<u>385,400</u>	<u>448,550</u>	<u>421,059</u>	<u>27,491</u>
Total general government				
Public safety:				
Fire Authority	104,003	104,003	103,299	704
Building inspections	40,000	40,000	40,814	(814)
	<u>144,003</u>	<u>144,003</u>	<u>144,113</u>	<u>(110)</u>
Total public safety				

Township of Schoolcraft
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Roads	\$ 50,000	\$ 57,500	\$ 54,742	\$ 2,758
Street lights	5,750	5,750	6,172	(422)
Water and sewer	-	-	22,248	(22,248)
Hazardous waste	<u>2,500</u>	<u>2,500</u>	<u>4,091</u>	<u>(1,591)</u>
Total public works	<u>58,250</u>	<u>65,750</u>	<u>87,253</u>	<u>(21,503)</u>
Health and welfare:				
Ambulance	7,000	7,000	7,000	-
Pollution control	<u>-</u>	<u>-</u>	<u>111</u>	<u>(111)</u>
Total health and welfare	<u>7,000</u>	<u>7,000</u>	<u>7,111</u>	<u>(111)</u>
Community and economic development:				
Planning	17,700	21,900	19,417	2,483
Zoning	<u>3,500</u>	<u>3,500</u>	<u>2,845</u>	<u>655</u>
Total community and economic development	<u>21,200</u>	<u>25,400</u>	<u>22,262</u>	<u>3,138</u>
Culture and recreation:				
Recreation programs	2,500	2,500	2,500	-
Community center	6,000	6,000	6,000	-
Library	750	750	734	16
Township park	21,000	21,000	33,255	(12,255)
Historical society	1,000	1,500	1,000	500
Independence Day celebration	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total culture and recreation	<u>32,250</u>	<u>32,750</u>	<u>44,489</u>	<u>(11,739)</u>
Capital outlay	<u>6,400</u>	<u>73,689</u>	<u>66,611</u>	<u>7,078</u>
Total expenditures	<u>657,503</u>	<u>800,142</u>	<u>795,798</u>	<u>4,344</u>
NET CHANGE IN FUND BALANCES	69,897	(73,499)	21,983	95,482
FUND BALANCES - BEGINNING	<u>592,500</u>	<u>592,500</u>	<u>592,500</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 662,397</u>	<u>\$ 519,001</u>	<u>\$ 614,483</u>	<u>\$ 95,482</u>

September 22, 2008

To the Board of Trustees
Township of Schoolcraft

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Schoolcraft for the year ended March 31, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Schoolcraft are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Schoolcraft during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Schoolcraft's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Schoolcraft as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Schoolcraft's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of identifying major funds, recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Schoolcraft and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.